GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:3257
ANSWERED ON:05.08.2002
LOSSES OF AI
PRABHUNATH SINGH;T.T.V. DHINAKARAN

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether Air India has been incurring losses from 1995 onwards except the year 2001;

(b) if so, the reasons for loss and the reasons for making profit in one particular year only; and

(c) the steps taken to make Air India a profit earning organisation?

Answer

THE MINISTER OF STATE FOR CIVIL AVIATION (SHRI SHRIPAD Y. NAIK)

(a), (b) and (c) : Air India became loss making organisation since 1995-1996. The main reasons for the losses are :-
(i) severe competition in the international market resulting in a n inability to achieve desired revenue yields or adhere to yield improvement programmes;
(ii) erosion in profit from operations in the Gulf Region from 1992-1993 due to new entrants in the market;
(iii) no addition of aircraft in the fleet due to heavy losses;
(iv) steep increase in the fuel cost;
(v) higher burden of depreciation and financial costs due to replacement and augmentation of fleet and devaluation of the Indian rupee vis-a-vis the US dollar;
(vi) increase in expenditure as a result of weakening of the Indian rupees vis-a-vis major hard currencies; and
(vii) increase on interest expenditure on working capital loans.

Air India has taken various steps to make them viable which includes: -
(i) Freeze on external recruitement in non-operational categories;
(ii) Several posts of India based officers abroad have been abolished;
(iii) Rolling back of retirement age from 60 to 58 years;
(iv) Redeployment of employees from non-operational to operational areas; and
(v) Two voluntary scheme have been notified viz. shorter working week scheme and introduction o f leave without pay/allowances scheme for a period of two years extendable upto five years.